

**GUNNISON VALLEY HOSPITAL
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF SANPETE COUNTY

Financial Statements

June 30, 2005 and 2004

**GUNNISON VALLEY HOSPITAL
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF SANPETE COUNTY

Financial Statements
June 30, 2005 and 2004

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INDEPENDENT AUDITORS' REPORT

To the Honorable Administrative Control Board
Gunnison Valley Hospital Special Service District
Gunnison, Utah 84634

We have audited the accompanying financial statements of Gunnison Valley Hospital Special Service District (the Hospital), a component unit of Sanpete County, as of June 30, 2005 and 2004. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gunnison Valley Hospital Special Service District as of June 30, 2005 and 2004, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 3, 2005 on our consideration of Gunnison Valley Hospital Special Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages MDA-1 through MDA-6 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

August 3, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of Gunnison Valley Hospital Special Service District's (GVH) annual financial report, GVH's management provides narrative discussion and analysis of the financial activities of GVH for the fiscal year ended June 30, 2005.

Financial Highlights

- GVH's assets exceeded its liabilities (net assets) by \$17,169,101 for fiscal year 2005 which was an increase of \$1,529,100 from fiscal year 2004's net assets recorded at \$15,640,001. This increase in net assets is a product of the operating activities of the entity which is engaged in healthcare services to the communities in Sanpete, Sevier and Wayne Counties, Utah.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$5,806,841 include land, buildings and equipment, net of accumulated depreciation and debt related to the purchase of capital assets.
 - (2) Restricted endowment and restricted debt service of \$3,034 and \$164,166 respectively.
 - (3) Unrestricted net assets of \$11,195,060 which represents the portion available to maintain the facility for quality healthcare and continuing obligations to employees and creditors. The unrestricted net assets are in the form of cash, investments, receivables, inventory and other current assets.
- The current ratio (current assets divided by current liabilities) of the entity improved to 9.1 in 2005 compared to 8.9 in 2004. Current liabilities increased by \$183,073 from \$1,174,550 in 2004 to \$1,357,623 in 2005 and non-current liabilities decreased by \$320,641 to \$2,211,359 for the fiscal year reported.

Overview of the Financial Statements

Management's Discussion and Analysis introduces GVH's basic financial statements. The basic financial statements include: (1) The Statement of Net Assets, (2) the Statement of Revenues, Expenses, and Changes in Net Assets and (3) the Statement of Cash Flows. GVH also includes notes to the financial statements to assist in understanding the basic financial statements.

The first of these statements is the *Statement of Net Assets*. This statement presents information that includes all GVH's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of GVH is improving or deteriorating. Evaluation of the overall economic health of GVH would extend to other non-financial factors such as the number of physicians on the medical staff, visiting specialists serving the communities and the variety and strength of services offered by the entity.

The second statement is the *Statement of Revenues, Expenses, and Changes in Net Assets* which

reports how net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important function of this statement is to show the financial reliance of GVH on the revenues provided by GVH's patients and the expenditures by category that we made during the fiscal year.

The third statement is the *Statement of Cash Flows* and is designed to report on where GVH received its cash funds and how those cash funds were used in three main categories: (1) Cash Flows From Operating Activities, (2) Cash Flows From Capital and Related Financing Activities and (3) Cash Flows From Investing Activities.

Finally, the notes to the basic financial statements present essential information intended to assist the reader in understanding these statements and are found immediately after the basic financial statements.

Financial Analysis

GVH's net assets are summarized in the table below. The table shows a \$1,529,100 increase in net assets from \$15,640,001 in 2004 to \$17,169,101 in 2005.

Summary of Net Assets

June 30, 2005 and 2004

	2005	2004	Amount Change	% Change
Assets				
Cash and cash equivalents and investments	\$9,807,023	\$7,460,433	\$2,346,590	31.5%
Accounts receivable (net of allowance)	1,856,040	2,346,242	-490,202	-20.9%
Other current assets	704,620	617,332	87,288	14.1%
Restricted cash, cash equivalents & investments	167,200	451,607	-284,407	-63.0%
Capital assets	8,203,200	8,470,937	-267,737	-3.2%
Total assets	20,738,083	19,346,551	1,391,532	7.2%
Liabilities				
Total current liabilities	1,357,623	1,174,550	183,073	15.6%
Total noncurrent liabilities	2,211,359	2,532,000	-320,641	-12.7%
Total liabilities	3,568,982	3,706,550	-137,568	-3.7%
Net assets				
Invested in capital assets, net of related debt	5,806,841	6,050,676	-243,835	-4.0%
Restricted, endowment	3,034	3,034	0	0.0%
Restricted, debt service	164,166	156,834	7,332	4.7%
Unrestricted	11,195,060	9,429,457	1,765,603	18.7%
Total net assets	\$17,169,101	\$15,640,001	\$1,529,100	9.8%

As can be seen from above cash and cash equivalents and investments increased by \$2,346,590 from fiscal year ending 2004. This increase was fed by improved success in collecting accounts receivable net of allowance and the results of operations. Capital assets

net of depreciation decreased during the year by \$267,737 or 3.2%. The decrease was due to GVH's depreciation of capital assets. However, GVH invested \$654,580 in patient service technology and hospital infrastructure during the fiscal year. Items such as a new fetal monitoring system, laparoscopic equipment, C-arm imaging equipment, a new hematology analyzer and other operating equipment were added during fiscal year 2005.

Note from the Summary of Net Assets that the current and non-current liabilities of GVH decreased by \$137,568 or 3.7% from the end of fiscal year 2004 as bond and vendor obligations were met during the year.

A Summary of the Statement of Revenues, Expenses and Changes in Net Assets is shown below comparing fiscal year 2005 to fiscal year 2004 with changes shown and discussed following the table.

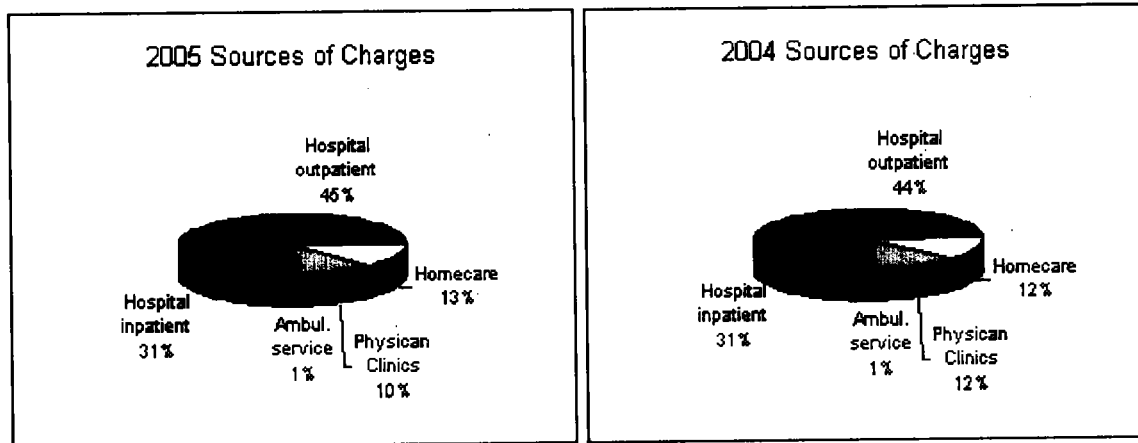
Summary of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2005 and 2004

	2005	2004	Amount Change	% Change
Operating Revenue				
Net patient service revenue	\$13,049,627	\$11,922,168	\$1,127,459	9.5%
Charity Care	(212,409)	(145,680)	(66,729)	45.8%
Other operating revenue	232,279	194,157	38,122	19.6%
Total operating revenues	13,069,497	11,970,645	1,098,852	9.2%
Operating Expenses				
Salaries, wages and benefits	6,234,514	5,719,731	514,783	9.0%
Contract and purchased services	1,064,667	923,194	141,473	15.3%
Supplies	1,971,625	1,711,688	259,937	15.2%
Provision for bad debts	506,131	548,480	(42,349)	-7.7%
Depreciation and amortization	910,519	821,769	88,750	10.8%
Other	984,204	865,188	119,016	13.8%
Total operating expenses	11,671,660	10,590,050	1,081,610	10.2%
Operating income	1,397,837	1,380,595	17,242	1.2%
Nonoperating Revenues (Expenses)				
Interest income	200,844	150,140	50,704	33.8%
Interest expense	(63,346)	(67,937)	4,591	-6.8%
Other nonoperating revenue	5,563		5,563	
Loss on disposal of assets	(11,798)	(13,215)	1,417	-10.7%
Total nonoperating revenues (expenses)	131,263	68,988	62,275	90.3%
Change in Net Assets	1,529,100	1,449,583	79,517	5.5%
Net assets - beginning of year	15,640,001	14,190,418	1,449,583	10.2%
Net assets - end of year	\$17,169,101	\$15,640,001	\$1,529,100	9.7%

Operating Revenues. Total operating revenues increased by \$1,098,852 or 9.2% from fiscal year 2004. This increase reflected growth in the volume of services provided during fiscal year 2005. Revenue increases were seen in the hospital and homecare services of the entity.

Note that charity care (charges forgone for patients in need) had a 45.8% increase while net patient service revenue increased 9.5% during fiscal year 2005. Charity care totaled \$212,409 for 2005 and \$145,680 for 2004.

The sources of patient charges or revenues as a percent of total revenues are broken out graphically below by program types.



The graphs show that the largest source of patient charges came from hospital outpatient charges, 45% in 2005 and 44% in 2004, followed by hospital inpatient charges of 31% and 31% respectively, Homecare (home health and hospice) charges were next at 13% in 2005 and 12% in 2004, followed by employed physician clinics at 10% and 12% respectively (physician clinic charges went down in 2005 due to the loss of one physician practice), and finally the ambulance service accounted for 1% of the charges in 2005 and in 2004.

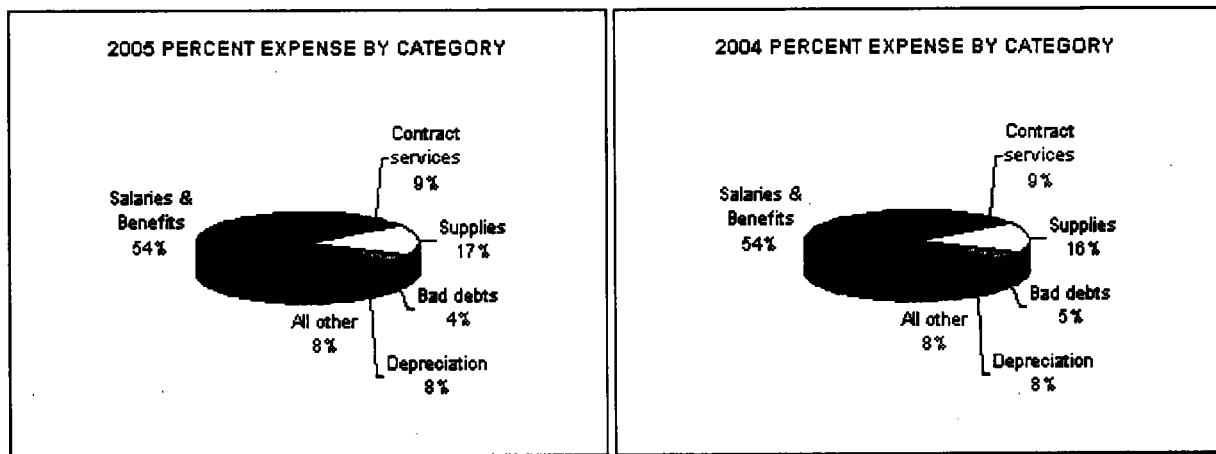
Operating Expenses. The operating expenses of the GVH for 2005 exceeded the prior year by \$1,081,610 or 10.2%. This expense increase was more than the 9.2% increase in total operating revenues. Expense by category exceeded the prior year ranging from 9% in "Salaries, wages and benefits" to 15.3% in "Contract and purchased services" as presented in the table of the "Summary of Revenues, Expenses, and Changes in Net Assets" previously shown. A brief explanation of the operating expense variances in fiscal year 2005 as compared to fiscal year 2004 by expense category will follow.

Salaries, wages and benefits increased from the prior year by \$514,783 or 9% because of growth in patient usage requiring additional employees in the nursing, home care and the medical record departments. In addition, existing GVH employees received a wage rate increase during the year reported. Benefits expense increased with salaries and wages for costs related to payroll taxes, health insurance and retirement expense.

Contract purchase services increased from prior year by \$141,473 or 15.3%. The largest increase was in fees paid to have caregivers available for emergency, anesthesia and obstetric services. The increase in supplies expense of \$259,937 or 15.2% as compared to the prior year were related to volume or usage increases. Bad debt expense was \$42,349 lower than the prior year as collection efforts proved successful in 2005. The category of depreciation and amortization also increased 10.8% in 2005 as compared to 2004.

All other expenses which include the expense categories of maintenance, rents, utilities, insurance, and other expense had an increase of \$119,016 from the prior year. The largest single variance was in maintenance expense. GVH purchased a CT scanner in 2004 which was under warranty during 2004, however in fiscal year 2005 it moved to a maintenance contract expense. Rental expense also contributed to the "Other" expense category variance as equipment was rented to meet an increase in eye procedures during 2005.

The graphs below show the percentage that each expense category is to total operating expense.



As shown above the largest expense of GVH is in the category of salaries and benefits comprising 54% of total operating expenses in 2005 and in 2004. Supplies expense accounted for the next highest category at 17% of total operating expenses in 2005 and 16% in 2004. The next category of contract services was at 9% of total operating expense in both years, depreciation expense followed at 8% in 2005 and in 2004, all other expenses were at 8% of total and bad debt was at 4% of total operating expenses in 2005 and 5% in 2004.

Non-operating Revenues (Expense). Non-operating revenues and expenses are comprised of interest income, interest expense, other nonoperating revenue and losses on disposal of assets. Interest income was up in 2005 by \$50,704 from fiscal year 2004 because of the increase in interest rates and the increase in average cash balances during the year. Interest expense was less in fiscal year 2005 by \$4,591 as the principal portion of outstanding debt also decreased. GVH was granted \$5,563 for bio-terrorism and recorded it as "Other nonoperating revenue" and GVH also recorded a "Loss on disposal of equipment" of \$11,798 as undepreciated equipment was replaced during the fiscal year.

Change in Net Assets. The result of the operating revenues, expenses and non-operating activities was a change in net assets of \$1,529,100 in fiscal year 2005 as compared to a change in net assets of \$1,449,583 in fiscal year 2004. This positive change in net assets allowed GVH to invest \$654,580 in patient care technology, equipment and facilities during fiscal year 2005 and \$1,371,645 in fiscal year 2004.

Summary

GVH has been fortunate to have had sound fiscal performance of its operating activities for the fiscal year's as presented. This performance has allowed GVH to invest in needed healthcare technology, physical plant and equipment while maintaining quality healthcare providers, nurses, technicians, and professional staff to serve the people of its' communities.

GUNNISON VALLEY HOSPITAL SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF SANPETE COUNTY

Statements of Net Assets

June 30, 2005 and 2004

ASSETS	2005	2004
Current Assets		
Cash and cash equivalents (Notes 1, 2 and 3)	\$ 3,364,639	\$ 2,900,609
Investments (Notes 2 and 3)	6,442,384	4,559,824
Accounts receivable (net of allowance for doubtful accounts and contractual adjustments of \$1,500,684 in 2005 and \$1,550,748 in 2004 - Note 1)	1,856,040	2,346,242
Other receivables	6,817	8,234
Inventory (Note 1)	551,770	515,882
Other current assets	146,033	93,216
Total current assets	<u>12,367,683</u>	<u>10,424,007</u>
Noncurrent Assets		
Restricted cash and cash equivalents (Note 2)	3,034	294,773
Restricted investments (Note 2)	164,166	156,834
Capital assets (Notes 1 and 4)		
Land and construction in progress	408,445	269,172
Depreciable buildings and equipment, net	7,794,755	8,201,765
Total noncurrent assets	<u>8,370,400</u>	<u>8,922,544</u>
Total assets	<u><u>\$ 20,738,083</u></u>	<u><u>\$ 19,346,551</u></u>
 LIABILITIES		
Current Liabilities		
Accounts payable	\$ 486,171	\$ 362,390
Accrued payroll and related liabilities	545,703	486,541
Estimated third-party payor settlements payable	79,118	79,534
Accrued interest	61,631	66,085
Current portion of long-term debt (Note 5)	185,000	180,000
Total current liabilities	<u>1,357,623</u>	<u>1,174,550</u>
Noncurrent Liabilities		
Bonds payable (Note 5)	2,150,798	2,532,000
Notes payable (Note 5)	60,561	
Total noncurrent liabilities	<u>2,211,359</u>	<u>2,532,000</u>
Total liabilities	<u><u>\$ 3,568,982</u></u>	<u><u>\$ 3,706,550</u></u>
 NET ASSETS (NOTES 1 AND 14)		
Invested in capital assets, net of related debt	\$ 5,806,841	\$ 6,050,676
Restricted, endowment	3,034	3,034
Restricted, debt service	164,166	156,834
Unrestricted	11,195,060	9,429,457
Total net assets	<u><u>\$ 17,169,101</u></u>	<u><u>\$ 15,640,001</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

GUNNISON VALLEY HOSPITAL SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF SANPETE COUNTY

Statements of Revenues, Expenses, and Changes in Net Assets

For the Year Ended June 30, 2005 and 2004

	2005	2004
Operating Revenue		
Patient service revenue	\$ 16,356,730	\$ 15,018,656
Deductions from revenue (Medicare and other)	(3,519,512)	(3,242,168)
Net patient service revenue	12,837,218	11,776,488
Other operating revenue	232,279	194,157
Total operating revenues	<u>13,069,497</u>	<u>11,970,645</u>
Operating Expenses		
Salaries and wages	4,696,913	4,436,260
Benefits	1,537,601	1,283,471
Contract and purchased services	1,064,667	923,194
Supplies	1,971,625	1,711,688
Maintenance	217,499	116,690
Rents and leases	160,030	142,102
Utilities	180,722	182,754
Insurance	165,034	180,953
Provision for bad debts	506,131	548,480
Depreciation and amortization	910,519	821,769
Other	260,919	242,689
Total operating expenses	<u>11,671,660</u>	<u>10,590,050</u>
Operating income	<u>1,397,837</u>	<u>1,380,595</u>
Nonoperating Revenues (Expenses)		
Interest income	200,844	150,140
Interest expense	(63,346)	(67,937)
Other nonoperating revenue	5,563	
Loss on disposal of assets	(11,798)	(13,215)
Total nonoperating revenues (expenses)	<u>131,263</u>	<u>68,988</u>
Change in Net Assets	1,529,100	1,449,583
Net assets - beginning of year	<u>15,640,001</u>	<u>14,190,418</u>
Net assets - end of year	<u><u>\$ 17,169,101</u></u>	<u><u>\$ 15,640,001</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

GUNNISON VALLEY HOSPITAL SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF SANPETE COUNTY

Statements of Cash Flows

For the Year Ended June 30, 2005 and 2004

	2005	2004
Cash Flows From Operating Activities		
Receipts from customers	\$ 12,820,944	\$ 11,464,830
Payments to suppliers	(1,883,732)	(2,015,828)
Payments to employees	(6,175,352)	(5,686,641)
Payments for services	(1,680,739)	(1,388,978)
Payments for rents and leases	(160,030)	(142,102)
Other payments	(261,335)	(211,676)
Other receipts	232,279	194,157
Net cash provided by operating activities	<u>2,892,035</u>	<u>2,213,762</u>
Cash Flows From Capital and Related Financing Activities		
Principal payments on long-term debt	(395,822)	(176,000)
Proceeds from issuance of note	80,181	
Purchase of property and equipment	(654,580)	(1,371,645)
Proceeds from sale of assets		15,158
Contributed capital	5,563	
Interest paid	(67,800)	(72,203)
Net cash used by capital and related financing activities	<u>(1,032,458)</u>	<u>(1,604,690)</u>
Cash Flows From Investing Activities		
Principal collected on note receivable		309,263
Note receivable issued		(48,561)
Purchase of investments	(1,889,893)	(1,081,540)
Interest income	202,607	145,138
Net cash used by investing activities	<u>(1,687,286)</u>	<u>(675,700)</u>
Increase (decrease) in cash and cash equivalents	172,291	(66,628)
Cash and cash equivalents at beginning of year	<u>3,195,382</u>	<u>3,262,010</u>
Total cash and cash equivalents at end of year	<u><u>\$ 3,367,673</u></u>	<u><u>\$ 3,195,382</u></u>
Cash and cash equivalents	\$ 3,364,639	\$ 2,900,609
Restricted cash and cash equivalents	<u>3,034</u>	<u>294,773</u>
Total cash and cash equivalents at end of year	<u><u>\$ 3,367,673</u></u>	<u><u>\$ 3,195,382</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

GUNNISON VALLEY HOSPITAL SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF SANPETE COUNTY

Statements of Cash Flows *(Continued)*

For the Year Ended June 30, 2005 and 2004

Reconciliation of operating income to net cash provided by operating activities

	2005	2004
Cash Flows From Operating Activities		
Net operating income	\$ 1,397,837	\$ 1,380,595
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	910,519	821,769
Change in assets and liabilities:		
Net accounts receivable	489,857	236,822
Inventory	(35,888)	(40,635)
Other current assets	(52,817)	14,613
Accounts payable	123,781	(263,505)
Accrued payroll and related liabilities	59,162	33,090
Estimated third-party payor settlements payable	(416)	31,013
Net cash provided by operating activities	<u>\$ 2,892,035</u>	<u>\$ 2,213,762</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

GUNNISON VALLEY HOSPITAL SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF SANPETE COUNTY

Financial Statements
June 30, 2005 and 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements and notes of Gunnison Valley Hospital Special Service District (the Hospital) have been prepared in accordance with *Government Auditing Standards*, generally accepted accounting principles in the United States of America, and as prescribed by the Governmental Accounting Standards Board (GASB) and accounting principles set forth in the Guide to "Audits of Providers of Health Care Services" issued by the Committee on Health Care of the American Institute of Certified Public Accountants. A summary of the more significant accounting policies is stated below.

Special Service District

On October 5, 1994, the Hospital began operating as an independent Special Service District (the District) of Sanpete County, Utah, providing health care and associated medical services. Under the guidelines established by GASB 39, the District has been determined to be a component unit of Sanpete County for financial accounting purposes and is included as a discrete component unit in the County's financial statements. Formerly, the Hospital operated under an Interlocal Cooperation Agreement entered into on July 1, 1967 between the City of Gunnison, Utah and the Towns of Centerfield, Fayette, and Mayfield, Utah (the City and Towns). All governing rights, powers, and authorities as well as the responsibility for the Hospital's operations are vested in the Administrative Control Board (the Board). Potential board members are selected by a committee that is appointed by the Board. Final determination is by the current governing board.

In the event of termination of the District or liquidation of the Hospital's assets, the City and Towns have the following undivided percentage interests in the net assets of the Hospital: City of Gunnison, 62%; Town of Centerfield, 19%; Town of Mayfield, 13%; and the Town of Fayette, 6%.

Cash and Cash Equivalents

The Hospital considers all highly liquid debt and equity instruments with a maturity of less than three months when purchased to be cash equivalents.

Receivables

The Hospital's receivables are from patients who are generally from Gunnison and the surrounding rural areas in Sanpete, Sevier and Wayne Counties. An allowance for third party payor contractual discounts has been established by monitoring the average contractual discounts taken, as compared to charges by payor. This allowance is adequate as determined by management to cover anticipated contractual discount write-offs. Uncollectible accounts are charged to the allowance for doubtful accounts when collection efforts have ceased. Contractual discounts and administrative write-offs for third party payors are charged to operations in the period payments are received.

GUNNISON VALLEY HOSPITAL SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF SANPETE COUNTY

Financial Statements

June 30, 2005 and 2004

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables (Continued)

A provision or allowance for doubtful accounts is maintained separately from the allowance for contractual discounts. After a patient responsibility account has received a series of letters (about 105 days after discharge) the account is placed with a pre-collection agency for ninety days. If the account is not resolved by the pre-collection agency, it is turned over to a collection agency and written off by charging the allowance for doubtful accounts and reducing the accounts receivable balance.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Differences between retroactive adjustments and accrued settlements are recognized in the Hospital's financial records in the year of settlement.

Inventory

Inventory is valued at the lower of cost or market. Cost is determined by the first-in, first-out method.

Basis of Accounting

Proprietary funds focus on measurement of the flow of economic resources. With this measurement focus, all assets and liabilities associated with the operation of this fund, both current and non-current, are included on the balance sheet. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Proprietary funds follow all Governmental Accounting Standards Board (GASB) pronouncements. In addition, all Financial Accounting Standards Board (FASB) statements and pronouncements issued on or before November 30, 1989 are followed, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations.

The principal operating revenues of the District are fees for healthcare and related services provided to residents within Gunnison and the surrounding areas. Operating expenses for the District include the costs of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**GUNNISON VALLEY HOSPITAL
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF SANPETE COUNTY

Financial Statements
June 30, 2005 and 2004

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no significant reductions in coverage from the prior year and settled claims have not exceeded this commercial coverage in any of the three preceding years. The Hospital is commercially insured for medical malpractice claims and judgments, as discussed in Note 9.

Capital Assets

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized.

Depreciation is computed using the straight-line method over the useful life of the asset. Estimated useful lives of the various classes of depreciable capital assets are as follows:

	<u>Years</u>
Buildings and improvements	5 - 40
Equipment	5 - 10
Land improvements	10 - 20
Vehicles	2 - 10
Moveable equipment	2 - 20
Fixed equipment	5 - 20

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the income for the period.

Assets the District is constructing are not placed in service until the construction is complete; therefore, no depreciation is taken.

Budgeting

The District's governing board adopts a budget for each fiscal year prior to the beginning of the year. These budgets are amended during the year, as the board deems necessary, to accommodate current

**GUNNISON VALLEY HOSPITAL
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF SANPETE COUNTY

Financial Statements
June 30, 2005 and 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgeting (Continued)

operations and are accepted by official vote of the board. The board amended the budget for the year ending June 30, 2005.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Unrestricted and Restricted Donations

In accordance with the AICPA audit and accounting guide, "Audits of Providers of Health Care Services," unrestricted donations are accounted for as non-operating revenue. Donations restricted for operating purposes are accounted for as other revenue and donations restricted for land, building, and equipment are accounted for as non-operating revenue.

Compensated Absences

The District's compensation policy permits employees to accumulate unused vacation. Portions of amounts accumulated at any point in time can be expected to be redeemed before termination of employment. The amounts of accrued vacation are \$205,861 and \$201,210, respectively, as of June 30, 2005 and 2004, respectively.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District first utilizes restricted resources to finance qualifying activities.

NOTE 2 – DEPOSITS AND INVESTMENTS

At June 30, 2005, the bank balance of demand and saving deposits was \$1,954,036 of which \$198,542 was covered by depository insurance. The Hospital owns \$6,606,551 in certificates of deposits, of which \$200,000 is covered by depository insurance. The Hospital has \$1,445,250 in the State Treasurer's

**GUNNISON VALLEY HOSPITAL
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF SANPETE COUNTY

Financial Statements
June 30, 2005 and 2004

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Fund; this amount is not covered by depository insurance; however, the investments are State approved.

At June 30, 2004, the bank balance of demand and saving deposits was \$3,129,930 of which \$114,855 was covered by depository insurance. The Hospital owns \$4,716,658 in certificates of deposits, of which \$200,000 is covered by depository insurance. The Hospital has \$24,522 in the State Treasurer's Investment Fund; this amount is not covered by depository insurance; however, the investments are State approved.

The Hospital received a restricted endowment contribution of \$3,034 in the year ended June 30, 1997. The interest earnings on the account are not restricted as to their use.

The Hospital has \$164,166 and \$156,834 in investments that are restricted for debt service for the years ended June 30, 2005 and 2004, respectively.

The Hospital has \$0 and \$291,739 cash that is restricted for construction for the years ended June 30, 2005 and 2004, respectively.

The Hospital follows the requirements of the Utah Money Management Act (*Utah Code Annotated* 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the Hospital to deposit funds in a "qualified depository". The Act defines "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. Deposits and investments are not required to be collateralized by state statute.

The Hospital's deposits and investments are categorized in the following table to give an indication of the level of risk assumed by the Hospital at year end. Category 1 includes deposits and investments that are insured or collateralized with securities held by the Hospital or its agent in the Hospital's name. Category 2 includes deposits and investments that are collateralized with securities held by the pledging financial institution's trust department or agent in the Hospital's name. Category 3 includes deposits and investments that are uninsured and uncollateralized, including any bank balance that is collateralized with securities, held by the pledging financial institution or its trust department or agent but not in the Hospital's name.

**GUNNISON VALLEY HOSPITAL
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF SANPETE COUNTY

Financial Statements
June 30, 2005 and 2004

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits and Investments June 30, 2005	Categories			Bank Balance	Carrying Amount
	I Insured	II Collateralized	III Uninsured		
Cash held	\$ 198,542	\$ -0-	\$ 1,755,493	\$ 1,954,035	\$ 1,922,422
Certificates of Deposit	200,000		6,406,551	6,606,551	6,606,551
Investment in State Treasurers Pool				1,445,250	1,445,250
Total	\$ 398,542	\$ -0-	\$ 8,162,044	\$ 10,005,836	\$ 9,974,223

Deposits and Investments June 30, 2004:	Categories			Bank Balance	Carrying Amount
	I Insured	II Collateralized	III Uninsured		
Cash held	\$ 114,855	\$ -0-	\$ 3,077,715	\$ 3,129,930	\$ 3,170,860
Certificates of Deposit	200,000		4,516,658	4,716,658	4,716,658
Investment in State Treasurers Pool				24,522	24,522
Total	\$ 314,855	\$ -0-	\$ 7,594,373	\$ 7,871,110	\$ 7,912,040

At June 30, 2005, the Hospital had \$3,551,291, \$756,238, \$1,029,994, \$164,166 and \$1,104,861 invested in certificates of deposit (CD) with interest rates of 3.1%, 3.3%, 2.96%, 3.68%, and 2.96% respectively. The \$3,551,291 CD matures quarterly. The \$756,238 CD matures September 8, 2006, the \$164,166 CD matures July 23, 2007, and the \$1,029,994 and \$1,104,861 CDs mature December 7, 2006. The CD's are carried at fair value.

At June 30, 2004, the Hospital had \$2,487,101, \$1,000,000, \$156,837 and \$1,072,720 invested in certificates of deposit (CD) with interest rates of 1.6%, 2.96%, 3.92%, and 2.96% respectively. The \$2,487,101 CD matures quarterly. The \$156,837 CD matured April 20, 2004 and the \$1,072,720 and the \$1,000,000 matured June 3, 2004. The CD's are carried at fair value.

The degree of risk associated with the investments held by the State Treasurer's Pool depends on the underlying portfolio. Therefore, these amounts are not categorized according to risk. The summary of

GUNNISON VALLEY HOSPITAL SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF SANPETE COUNTY

Financial Statements
June 30, 2005 and 2004

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

investments provided by the State Treasurer pool shows investments in commercial paper, certificates of deposit, corporate notes, US. Treasury obligations and obligations of agencies of the United States. The deposits with the State Treasurer's Pool are carried at fair value.

NOTE 3 – ASSETS LIMITED AS TO USE

The following asset designations have been made by the Hospital's Board:

	2005	2004
Cash limited as to use:		
Debt service	\$ 226,127	\$ 21,450
Collateral	<u>68,891</u>	<u>67,537</u>
	<u>\$ 295,018</u>	<u>\$ 88,987</u>
Investments limited as to use:		
Bond Reserve	\$ 164,166	\$ 1,072,720
Debt Service	<u>1,104,861</u>	<u>-0-</u>
	<u>\$ 1,269,027</u>	<u>\$ 1,072,720</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment includes the following at June 30, 2005:

	Balance 6/30/2004	Additions	Deletions	Balance 6/30/2005
Capital assets, not being depreciated				
Land	\$ 267,897	\$ 126,893		\$ 394,790
Construction in progress	<u>1,275</u>	<u>13,655</u>	<u>\$ (1,275)</u>	<u>13,655</u>
Total capital assets, not being depreciated	<u>269,172</u>	<u>140,548</u>	<u>(1,275)</u>	<u>408,445</u>
Capital assets, being depreciated				
Buildings and land improvements	6,638,013	146,946	(28,496)	6,756,463
Leasehold improvements	170,369			170,369
Major moveable equipment	<u>5,531,572</u>	<u>367,086</u>	<u>(570,352)</u>	<u>5,328,306</u>
Total capital assets, being depreciated	<u>12,339,954</u>	<u>\$ 514,032</u>	<u>\$ (598,848)</u>	<u>12,255,138</u>
Less: accumulated depreciation	<u>(4,138,189)</u>			<u>(4,460,383)</u>
Total capital assets, net	<u>\$ 8,201,765</u>			<u>\$ 7,794,755</u>

GUNNISON VALLEY HOSPITAL SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF SANPETE COUNTY

Financial Statements
June 30, 2005 and 2004

NOTE 5 – NOTES AND LONG-TERM DEBT

Series 1995 General Obligation Bonds

The Hospital issued Series 1995 General Obligation Hospital Bonds in the amount of \$1,350,000 at 2.5% interest for the purpose of constructing an addition to the hospital. Principal and interest payments are due August 1 of each year beginning in 1995 through 2014.

Series 2002 Hospital Revenue Bonds

The Hospital issued Series 2002 Hospital Revenue Bonds in the amount of \$2,000,000 at 2.5% interest for the purpose of constructing an addition to the hospital or building a physician's clinic. Principal and interest payments are due July 1 of each year beginning in 2003 through 2017. If annual principal payments are not paid timely, both issues will be subject to an 18% interest rate.

Dr. Lamar Stewart Note Payable

The Hospital purchased a medical clinic building and associated land from Dr. Stewart in the amount of \$80,181 at 2.5% interest. An initial payment of \$19,620 was made in 2005 leaving a remaining balance of \$60,561. Principal and interest payments are due July 1 of each year beginning in 2006 through 2009.

The District's long-term liabilities for the year ended June 30, 2005 are as follows:

	Balance 6/30/2004	Additions	Reductions	Balance 6/30/2005	Due Within One Year
Bonds					
CIB 1995	\$ 823,000		\$ (66,000)	\$ 757,000	\$ 68,000
CIB 2002	1,889,000		(310,202)	1,578,798	117,000
Note payable					
Dr. Lamar Stewart		\$ 80,181	(19,620)	60,561	
Total long-term debt	<u>\$ 2,712,000</u>	<u>\$ 80,181</u>	<u>\$ (395,822)</u>	<u>\$ 2,396,359</u>	<u>\$ 185,000</u>

**GUNNISON VALLEY HOSPITAL
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF SANPETE COUNTY

Financial Statements
June 30, 2005 and 2004

NOTE 5 – NOTES AND LONG-TERM DEBT (CONTINUED)

The following is a schedule of long-term debt maturities by year:

Year Ended <u>June 30</u>	Principal	Interest	Total
2006	\$ 185,000	\$ 63,200	\$ 248,200
2007	207,023	60,272	267,295
2008	212,514	55,057	267,571
2009	223,024	49,716	272,740
2010	204,000	44,125	248,125
2011-2015	1,100,000	141,450	1,241,450
2016-2018	264,798	23,225	288,023
	<u>2,396,359</u>	<u>437,045</u>	<u>2,833,404</u>
Less current portion:	(185,000)	(63,200)	(248,200)
	<u><u>\$ 2,211,359</u></u>	<u><u>\$ 373,845</u></u>	<u><u>\$ 2,585,204</u></u>

NOTE 6 – OPERATING LEASE COMMITMENTS

The District has four lease agreements: the Jackson Family Practice, a Conference Room, a specialist medical clinic and the Monroe Clinic. Each lease has a monthly payment required of \$3,000, \$400, \$1,150 and \$50 respectively with lease ending dates of December 2009, September 2007, September 2007 and August 2005, respectively.

The following is a schedule by year of future minimum lease payments required under operating lease agreements. All have initial or remaining terms in excess of one year as of June 30, 2005:

Year Ended <u>June 30</u>	<u>Lease Payments</u>
2006	\$ 54,700
2007	49,950
2008	36,000
2009	36,000
<u>2010</u>	<u>18,000</u>
Total	<u><u>\$ 194,650</u></u>

GUNNISON VALLEY HOSPITAL SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF SANPETE COUNTY

Financial Statements
June 30, 2005 and 2004

NOTE 7 – NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare. Inpatient acute care and outpatient services are rendered to Medicare program beneficiaries are paid at prospectively determined rates per diagnosis. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

At June 30, 2005, final Medicare settlements have been made for fiscal years through June 30, 2001. The cost reports for the fiscal years ended June 30, 2002, 2003, and 2004 have been filed and final determination is pending. Final determination adjustments are included in operations in the year of occurrence.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a discount from established charges methodology. Outpatient services are reimbursed according to a Medicaid fee schedule.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, fee schedules and discounts from established charges.

NOTE 8 – RETIREMENT PLANS

The Hospital contributes to the Local Government Contributory and Local Government Noncontributory Retirement Systems cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the *Utah Code* Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly

GUNNISON VALLEY HOSPITAL SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF SANPETE COUNTY

Financial Statements
June 30, 2005 and 2004

NOTE 8 – RETIREMENT PLANS (CONTINUED)

available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory and Noncontributory Retirement Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Under provisions of the contributory plan, the Hospital contributed 2.05% of the required 6% employee contribution to the vested account of the employees for the years ended June 30, 2005 and 2004. The Hospital also contributed a matching portion of 7.08% and 5.61% making a total of 13.08% and 11.61% contributions for the years ended June 30, 2005 and 2004. Under provisions of the noncontributory plan, the Hospital contributed 11.09% and 9.62% of the vested account of the employees for the years ended June 30, 2005 and 2004.

The Hospital's contributions to the Local Governmental Contributory Retirement System for the years ended June 30, 2005, 2004 and 2003 were \$4,548, \$3,689, and \$3,299 respectively and for the Noncontributory Retirement System the contributions for the years ended June 30, 2005, 2004 and 2003 were \$457,351, \$369,777, and \$281,791 respectively. The contributions were equal to the required contributions for each year. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

NOTE 9 – MALPRACTICE LOSS CONTINGENCIES

The Hospital maintains insurance for malpractice liabilities in amounts considered adequate by Hospital management. At June 30, 2005, no claims had been filed in excess of such amounts; however, claims may yet be asserted arising from services provided in the past.

NOTE 10 – CHARITY CARE

The Hospital donates healthcare services to the community. The hospital's charitable philosophy is to provide care regardless of the patient's ability to pay. The decision whether or not to accept a request for charity assistance is made with the discretion and compassion of hospital personnel. Charity assistance is handled on an application basis and each application stands on its own merits. The total services donated during the years ended June 30, 2005 and 2004 were valued at approximately \$212,409 and \$145,680, respectively.

NOTE 11 – DONATED SERVICES

Volunteers donate their time to the Hospital performing non-essential services. No amounts have been reported in the financial statements for these services.

GUNNISON VALLEY HOSPITAL SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF SANPETE COUNTY

Financial Statements
June 30, 2005 and 2004

NOTE 12 – ECONOMIC DEPENDENCY

The Hospital is economically dependent on the medical services it provides within its geographic region of Sanpete, Sevier, and Wayne Counties, Utah. The Hospital received approximately 98.5% and 98.8% of its net operating revenues from services for the years ended June 30, 2005 and 2004, respectively.

NOTE 13 – CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of who are insured under third-party payor agreements. The mix of net patient receivables from payors at June 30, 2005 and 2004, was as follows:

	<u>2005</u>	<u>2004</u>
Medicare	36%	33%
Medicaid	9%	10%
Other third-party payors	43%	45%
Self pay patients	12%	12%
	<u>100%</u>	<u>100%</u>

NOTE 14 – NET ASSETS

Net assets at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Invested in capital assets, net of related debt:		
Property, plant, and equipment, net	\$ 8,203,200	\$ 8,470,937
Outstanding debt issued to construct capital assets	(2,396,359)	(2,712,000)
Unspent debt proceeds		291,739
Total invested in capital assets, net of related debt:	<u>5,806,841</u>	<u>6,050,676</u>
Restricted net assets:		
Restricted for endowment	3,034	3,034
Restricted for debt service	164,166	156,834
Total restricted net assets:	<u>167,200</u>	<u>159,868</u>
Unrestricted net assets:	<u>11,195,060</u>	<u>9,429,457</u>
Total net assets	<u>\$ 17,169,101</u>	<u>\$ 15,640,001</u>



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

To the Honorable Administrative Control Board
Gunnison Valley Hospital Special Service District

We have audited the financial statements of Gunnison Valley Hospital Special Service District as of and for the year ended June 30, 2005 and have issued our report thereon dated August 3, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Gunnison Valley Hospital Special Service District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Gunnison Valley Hospital Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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This report is intended solely for the information and use of the Administrative Control Board, management, and the Utah State Auditor's office and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

August 3, 2005



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UTAH STATE COMPLIANCE REPORT BASED ON THE REQUIREMENTS, SPECIAL TESTS, AND PROVISIONS REQUIRED BY THE STATE OF UTAH'S LEGAL COMPLIANCE AUDIT GUIDE

To the Honorable Administrative Control Board
Gunnison Valley Hospital Special Service District
Gunnison, Utah 84634

We have audited the financial statements of the Gunnison Valley Hospital Special Service District for the year ended June 30, 2005, and have issued our report thereon dated August 3, 2005. The Hospital received the following non-major grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test-work as part of the audit of the Hospital's financial statements.)

Department of Health: EMS Fines – Grants

Community and Economic Development: Community Impact Loans

Our audit also included test work on the Hospital's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Special Districts
Other General Compliance Issues

The Hospital did not receive any major State grants during the year ended June 30, 2005.

The management of Gunnison Valley Hospital Special Service District is responsible for the Hospital's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above has occurred. An audit includes examining, on a test basis, evidence about the Hospital's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

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The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

A. CURRENT STATUS OF PRIOR YEAR FINDINGS

Finding: Unclaimed Property Report

A government entity holding intangible property for more than one year after the property became payable or distributable must report and remit the property to the State Treasurer's Office, Division of Unclaimed Property, by May 1. The District held \$59 of unclaimed property that was not reported by the required date.

Recommendation:

We recommend the Hospital file the unclaimed property report and remit the corresponding property by the date required by law.

District's Response:

This finding has been corrected.

In our opinion, the Gunnison Valley Hospital Service District, complied, in all material respects, with the general compliance requirements identified above, for the year ended June 30, 2005.

This report is intended for the information of the Administrative Control Board, management, and the Utah State Auditor's office and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

August 3, 2005

GUNNISON VALLEY HOSPITAL SPECIAL SERVICE DISTRICT SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS

June 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Gunnison Valley Hospital Special Service District.
2. There were no reportable conditions relating to the audit of the financial statements as reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*.
3. No instances on noncompliance material to the financial statements of Gunnison Valley Hospital Special Service District were disclosed during the audit.

B. FINDINGS – CURRENT YEAR

None

C. FINDINGS – PRIOR YEAR

None